



Received & Inspected

OCT 22 2013

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT  
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-FCC Mail Room  
135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN  
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE  
THE FEDERAL COMMUNICATIONS COMMISSION

**REDACTED-FOR PUBLIC INSPECTION**

October 18, 2013

Ms. Marlene Dortch  
Secretary of Commission  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

RE: Docket WC Nos. 10-90 and 11-42 FCC Form 481

Dear Ms. Dortch:

Please accept for filing the attached four copies of the redacted, FCC Form 481 for Millington Telephone Company (SAC 290571). This filing is subject to section 0.549 of the FCC's Rules.

Also included is an extra copy of the redacted filing that I request you to date stamp and return to me in the enclosed, postage paid envelope.

If you have any questions about this or need any additional information, I can be contacted at 870-336-2345 or [john.strode@rittercommunications.com](mailto:john.strode@rittercommunications.com).

Sincerely,  
RITTER COMMUNICATIONS HOLDINGS, INC.

A handwritten signature in black ink, appearing to read "John Strode".

John Strode  
Vice President

attachments

No. of Copies rec'd 0+3  
List ABOVE

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Page 1

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code 290571  
 <015> Study Area Name MILLINGTON TEL CO  
 <020> Program Year 2014  
 <030> Contact Name: Person USAC should contact with questions about this data John Strode  
 <035> Contact Telephone Number: Number of the person identified in data line <030> 8703362345  
 <039> Contact Email Address: Email of the person identified in data line <030> John.Strode@RitterCommunications.com

Received & Inspected  
OCT 22 2013  
FCC Mail Room

## ANNUAL REPORTING FOR ALL CARRIERS

54.313  
Completion  
Required

54.422  
Completion  
Required

		(check box when complete)	
<100>	Service Quality Improvement Reporting (complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<200>	Outage Reporting (voice) (complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210>	<input checked="" type="checkbox"/> <-- check box if no outages to report		
<300>	Unfulfilled Service Requests (voice)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310>	Detail on Attempts (voice) (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<320>	Unfulfilled Service Requests (broadband)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<330>	Detail on Attempts (broadband) (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<400>	Number of Complaints per 1,000 customers (voice)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410>	Fixed 0.0		
<420>	Mobile 0.0		
<430>	Number of Complaints per 1,000 customers (broadband)	<input type="checkbox"/>	<input type="checkbox"/>
<440>	Fixed 0.0		
<450>	Mobile 0.0		
<500>	Service Quality Standards & Consumer Protection Rules Compliance (check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510>	290571tn510 (attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600>	Functionality in Emergency Situations (check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610>	290571tn610 (attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700>	Company Price Offerings (voice) (complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<710>	Company Price Offerings (broadband) (complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<800>	Operating Companies and Affiliates (complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900>	Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/> (if yes, complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1000>	Voice Services Rate Comparability (check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<1010>	<input type="checkbox"/> (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<1100>	Terrestrial Backhaul (Y/N)? <input type="radio"/> <input checked="" type="radio"/> (if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1200>	Terms and Condition for Lifeline Customers (complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**  
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000> (check to indicate certification) ☐ ☐  
 <2005> (complete attached worksheet) ☐ ☐

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000> (check to indicate certification) ☒ ☐  
 <3005> (complete attached worksheet) ☒ ☐



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Page 8

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	290571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

Please check this box to confirm no terrestrial backhaul  
<1120> options exist within the supported area pursuant to § 54.313(G)



Please check this box to confirm the reporting carrier offers  
<1130> broadband service of at least 1 Mbps downstream and 256 kbps  
upstream within the supported area pursuant to § 54.313(G)



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Page 9

<b>(1200) Terms and Condition for Lifeline Customers</b>		FCC Form 481
<b>Lifeline</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
<b>Data Collection Form</b>		July 2013
<010> Study Area Code	290571	
<015> Study Area Name	MILLINGTON TEL CO	
<020> Program Year	2014	
<030> Contact Name - Person USAC should contact regarding this data	John Strode	
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362245	
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com	

<1210> Terms & Conditions of Voice Telephony Lifeline Plans	290571tn1210
	Name of attached document (.pdf)
<1220> Link to Public Website	HTTP
<p>"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:</p>	
<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222> Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223> Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Page 11

(3000) Rate Of Return Carrier Additional Documentation		FCC Form 481
Data Collection Form		OMB Control No. 3060-0686/OMB Control No. 3060-0619
		July 2013

<010> Study Area Code	290571
<015> Study Area Name	MILLINGTON TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703342345
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RichterCommunications.com

**CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.302(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.**

<b>Progress Report on 5 Year Plan</b>	
<p>(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313(f)(1)(i), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.</p> <p>(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) (3013) Is your company a Privately Held RCR Carrier (47 CFR § 54.313(f)(2)) (3014) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:</p> <p>(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)</p> <p>(3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p> <p>(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation</p> <p>(3018) If the response is no on line 3014, is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:</p> <p>(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications</p> <p>(3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p> <p>(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit.</p> <p>If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:</p> <p>(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.</p> <p>(3023) Underlying information subjected to a review by an independent certified public accountant</p> <p>(3024) Underlying information subjected to an officer certification.</p> <p>(3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p> <p>(3026) Attach the worksheet listing required information</p>	<p>Name of Attached Document Listing Required Information</p> <p><input type="checkbox"/></p> <p>Name of Attached Document Listing Required Information</p> <p><input checked="" type="checkbox"/> Yes/No <input type="checkbox"/> Yes/No</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p>Name of Attached Document Listing Required Information</p> <p><input checked="" type="checkbox"/> Yes/No</p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p>290571cn3026</p>

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Page 12

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	290571
<015> Study Area Name	MILLINGTON TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	MILLINGTON TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date 10/10/2013
Printed name of Authorized Officer:	John Strode
Title or position of Authorized Officer:	VP External Affairs
Telephone number of Authorized Officer:	870.336.2345
Study Area Code of Reporting Carrier:	290571 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

REFERENCE WC DOCKET NOS. 10-90 AND 11-42

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

## Attachments



REDACTED - FOR PUBLIC INSPECTION

**Millington Telephone Company**

**FCC 481 290571tn510**

In establishing this certification in its *2005 ETC Order*,<sup>1</sup> the FCC found that an ETC must make "a specific commitment to objective measures to protect consumers."<sup>2</sup> The Commission found that for wireless ETCs, compliance with CTIA's Consumer Code for Wireless Service would satisfy this requirement" and that the sufficiency of other commitments would be considered on a case-by-case basis.<sup>3</sup> In this context, the FCC stated, "to the extent a wireline or wireless ETC applicant is subject to consumer protection obligations under state law. Compliance with such laws may meet our requirement."<sup>4</sup>

Millington Telephone Company, Inc. ("Company") hereby certifies that it is complying with applicable service quality standards and consumer protection rules. The Company is subject to consumer protection obligations under state law. These obligations include, but are not limited to, the following:

(1) filing a Local Exchange Tariff pursuant to the requirements of the Tennessee Regulatory Authority (TRA) which disclose rates, terms and conditions of service to customers;

(2) consumer protection requirements governing telephone providers which require adherence to TRA's Regulations Governing Service supplied by Telephone Utilities set forth in Chapter 1220-4-2 Regulations for Telephone Companies. The basic

<sup>1</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("*2005 ETC Order*").

<sup>2</sup> *Id.* at para. 28.

<sup>3</sup> *Id.* The FCC noted that under the CTIA Consumer Code, wireless carriers agree to: "(1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy." *Id.* at n. 71.

<sup>4</sup> *Id.* at n. 72.

REDACTED - FOR PUBLIC INSPECTION

**Millington Telephone Company**

**FCC 481 290571tn510**

utility obligations include: (a) Each telephone utility shall provide telephone service to the public in its service area. (b) Each telephone utility has the obligation of continually reviewing its operations to assure the furnishing of adequate service.

(3) Where a telephone utility is generally operated in conjunction with any other enterprise, suitable records shall be maintained so that the results of the of the telephone operation may be determined upon reasonable notice and request by the Authority

(4) Business offices shall be so located and staffed that customers and the public will have convenient access to qualified personnel, including supervisory personnel where warranted, to answer questions relating to services and rates, accept and process applications for service, explain charges on customers' bills, adjust charges made in error and in general, represent the utility to the customer.

(a) Where one business office serves several communities toll-free calling to the business office from such communities shall be provided. By means of directory information or assistance, signs on company buildings and property, newspaper advertising or other methods necessary, the utility shall keep its customers and the public advised as to means of contacting the business office.

(b) Business office services will be available to the customers and the public during the normal hours of the normal work week, excluding holidays and at such other times as may be warranted by circumstances.

(c) It will be the responsibility of the utility to insure that qualified personnel, instructed to be courteous, considerate and efficient, are available to promptly serve those who contact the business office.

REDACTED - FOR PUBLIC INSPECTION

**Millington Telephone Company**

**FCC 481 290571tn510**

(d) The utility shall inform the customer of any service connection charge to be applied to his bill and the monthly charge for the service ordered, with the exception of business customers not requiring this information, prior to undertaking any action to furnish the service ordered. To customers inquiring about new service, the utility shall provide any information and assistance necessary to obtain service conforming to the customer's needs.

**Customer billing guidelines** are set forth in TRA regulation 1220-4-2-.10 include:

(1) Bills to customers shall be rendered regularly and shall contain a listing of all charges. Utilities shall comply with reasonable customer requests for an itemized statement of charges.

(2) In the event the customer's service is interrupted other than by negligence or willful act of the customer and it remains out of order in excess of twenty-four (24) hours after being reported, appropriate adjustments or refunds shall be made to the customer, upon the customer's request. The refund to the customer shall be the pro rata part of the month's charge for the period of days and that portion of the service and facilities rendered useless or inoperative. The refund may be accomplished by a credit on the subsequent bill for telephone service.

(3) A bill insert should be included in the first bill after the effective date of this rule informing the customer of his/her refund option. When new phone books are printed the Call-Guide will contain a customer refund section

REDACTED - FOR PUBLIC INSPECTION

**Millington Telephone Company**

**FCC 481 290571tn510**

TRA customer complaints are handled pursuant to TRA guidelines included in 1220-4-1-

.13 and include:

(a) A full and prompt investigation of all types of complaints made by its customers

(b) If the use of service interferes unreasonably with the necessary use of the other customers, a customer may be required to take insufficient quantity of different class or grade

(c) Each telephone utility shall within (10) working days, after receipt of a complaint forwarded by the Authority, file a written reply with the Authority.

In addition, the Company is subject to consumer protection obligations under state law relating to truth-in-billing requirements, CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy.

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE CO., INC.**

**290571tn610.docx**

Millington Telephone Co., Inc. (The Company), hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).<sup>1</sup> The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to propane.

---

<sup>1</sup> Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE CO., INC.****290571tn610.pdf**

Millington Telephone Co., Inc. (The Company), hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).<sup>1</sup> The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to fuel for generators.

---

<sup>1</sup> Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."



290591 EN 12/10.6

REDACTED - FOR PUBLIC INSPECTION

MILLINGTON TELEPHONE COMPANY INC  
GENERAL EXCHANGE TARIFF

MISCELLANEOUS SUPPORT PROGRAMS

TRA No. 1  
Section 8  
Original Page 11

8.3 Link-Up Tennessee

A. General

Link-up Tennessee is offered in all exchanges to provide subsidized assistance to qualifying applicants. It is intended to preserve and promote subscribership among low income households by providing a credit to the installation and connection charge applicable to the provisioning of residence service.

B. Regulations

1. Persons wishing to qualify for the credit must meet state certification criteria for eligibility. This credit is available only to residence customers, and will be applied to the non-recurring charges for the establishment of service for a single telephone line per household, at the principle place of residence.
2. The subscriber must not be a dependent for federal income tax purposes, unless the subscriber is more than sixty (60) years of age.
3. The subscriber must meet the requirements of a state established income test.

C. Rates and Charges

A non-recurring credit in the amount of one-half (maximum of \$30.00) of the installation and connection charges will be applied to the subscribers total non-recurring installation and connection charge.

8.4 In-Class Room Computer Access

A. General

With the exception of the monthly rates for In-Classroom Computer Access Service, Millington Telephone Co., Inc concurs in the rules, regulations, and connection charges governing the provision of this service (See BellSouth General Subscriber Tariff, Section A3.32, Pages 77 and 78). This shall include all free public libraries in any city, county, or town.

B. Regulations

**This service is for computer access only. It does not replace administrative business lines. Recurring charge includes touch tone conditioning. It does not include the FCC End User Charge or E-911 charges. These charges will be added to the monthly rate.**

C. Rates and Charges

Monthly rate for this service shall be: \$17.00

Moved from Section 4, 5<sup>th</sup> Revised Page 5 and 2<sup>nd</sup> Revised Page 6

ISSUED: November 18, 1999

EFFECTIVE: January 3, 2000

W. S. HOWARD, President

M

T

M

N

N



REDACTED - FOR PUBLIC INSPECTION

MILLINGTON TELEPHONE COMPANY INC  
GENERAL EXCHANGE TARIFF

MISCELLANEOUS SUPPORT PROGRAMS

TRA No. 1

Section 8

3<sup>rd</sup> Revised Page 12

Cancels 2<sup>nd</sup> Revised Page 12

8.5 Life Line Assistance Program

A. General

The LifeLine Assistance Program was designed to make telephone service available to eligible residential subscribers. The discounts apply to monthly recurring rates and qualifying residential customers. Discounts are applied to existing tariffed rates and charges for residential telephone service.

B. Regulations

1. LifeLine Service is available only with residential service, excluding foreign exchange service.
2. LifeLine Service is limited to one line per household at the customer's primary residence.
3. The federal and state credits are applied to the Local Service bills for qualified residential recipients of aid to Families with Dependent Children (AFDC) Supplemental Security Income (SSI), Food Stamps, Medicaid or to customer's with household total gross annual income at or below 125% of the federal poverty level.
4. Applications for this service will be verified with the state agency responsible for administration of the programs mentioned in the preceding No. 3.
5. The company will process all applications and apply the appropriate credit on the customer's monthly bill.
6. Customers of LifeLine Service must notify the Company of any changes that would affect qualification. Verification of eligibility will take place initially and at a minimum annually each year of service thereafter. When the customer is no longer eligible for LifeLine Service, the discount will be discontinued and regular tariff rates and charges would apply.
7. DDD Toll Restriction is offered at no charge to LifeLine customers. No deposit is required from a LifeLine customer if DDD Toll Restriction is added to their line.

C. Rates and Charges

Monthly Credit (maximum of one line per qualified customer)

1. A discount of **\$10.00** will be given as a Federal LifeLine Service credit, plus a state credit of \$3.50 for a total of **\$13.50** each month.
2. Non-recurring charges are the same as Link-Up Tennessee. See Section 8.3, Original Page 11.

C  
C

ISSUED: December 4, 2003

EFFECTIVE: July 1, 2003

W. S. HOWARD, President

REFERENCE WC DOCKET NOS. 10-90 AND 11-42

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

REDACTED - FOR PUBLIC INSPECTION

290571EN 3026.pdf



Received & Inspected  
OCT 22 2013  
FCC Mail Room

**MILLINGTON TELEPHONE COMPANY, INC.**

Consolidated Financial Statements

December 31, 2012

(With Independent Auditors' Report Thereon and  
Independent Auditors' Report on Internal Control and Compliance)

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION



KPMG LLP  
Suite 900  
50 North Front Street  
Memphis, TN 38103-1194

## Independent Auditors' Report

The Board of Directors and Shareholder  
Millington Telephone Company, Inc.:

We have audited the accompanying consolidated financial statements of Millington Telephone Company, Inc. and subsidiary (the Company) which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, comprehensive income, stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION



***Other Matter***

As part of our audit of the 2012 consolidated financial statements, we also audited the adjustments described in note 2 that were applied to restate retained earnings as of December 31, 2011. In our opinion, such adjustments are appropriate and have been properly applied.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

KPMG LLP

May 29, 2013

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

Consolidated Balance Sheet

December 31, 2012

**Assets**

Current assets:

Cash  
Accounts receivable, net  
Materials and supplies  
Prepaid expenses  
Deferred income taxes  
Income taxes receivable from E. Ritter & Company  
Due from affiliates

Total current assets

Telephone plant:

In-service  
Under construction

Total telephone plant

Less accumulated depreciation

Net telephone plant

Other noncurrent assets:

Nonregulated investments, net

**Liabilities and Stockholder's Equity**

Current liabilities:

Accounts payable  
Accrued expenses  
Customer deposits and advance billings  
Other

Total current liabilities

Long-term liabilities and deferred credits:

Long-term debt  
Deferred income taxes  
Pension liability  
Other

Total long-term liabilities and deferred credits

Stockholder's equity:

Common stock, no par value; [REDACTED] shares authorized, issued and outstanding  
Retained earnings  
Accumulated other comprehensive loss

Total stockholder's equity

See accompanying notes to consolidated financial statements.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

# MILLINGTON TELEPHONE COMPANY, INC.

## Consolidated Statement of Operations

Year ended December 31, 2012

### Operating revenues:

Local service  
Network access  
Data  
Long distance  
Other  
Nonregulated sales

Total operating revenues

### Operating expenses:

Plant operations  
Depreciation and amortization  
Customer operations  
Corporate operations  
Data cost of sales  
Nonregulated expenses  
Taxes - other than income taxes

Total operating expenses

Operating loss

### Other income (expense):

Interest income  
Interest expense  
Gain on extinguishment of post-retirement benefit plan  
Transaction expenses from sale of Company  
Other

Total other income, net

Income before income taxes

Provision for income taxes

Net loss

\$

\$

See accompanying notes to consolidated financial statements.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

**Consolidated Statement of Comprehensive Income**

**Year ended December 31, 2012**

Net loss	\$ [REDACTED]
Other comprehensive income, net of tax:	
Defined benefit pension plan, net of taxes of [REDACTED]	[REDACTED]
Comprehensive income	\$ [REDACTED]

See accompanying notes to consolidated financial statements.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statement of Stockholder's Equity

Year ended December 31, 2012

	Common stock	Preferred stock	Retained earnings unappropriated	Retained earnings appropriated	Accumulated other comprehensive loss	Total
Balances at December 31, 2011	\$					
Impact of restatement adjustments (note 2)						
Balances at December 31, 2011, as restated						
Net loss						
Defined benefit pension plan, net of taxes of						
Redemption of preferred stock						
Balance at December 31, 2012	\$					

See accompanying notes to consolidated financial statements.



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

Consolidated Statements of Cash Flows

Year ended December 31, 2012

Cash flows from operating activities:

Net loss

Adjustments to reconcile net income to net cash provided by operating activities:

Noncash operating activities:

Depreciation and amortization of telephone plant and nonregulated investments

Defined benefit pension plan

Post retirement benefit

Gain on termination of post retirement benefits

Provision for deferred income taxes

Uncollectible operating revenues

Gain on sale of property, plant and equipment

Changes in operating assets and liabilities:

Accounts receivable

Materials and supplies

Prepaid expenses

Due from affiliates

Income taxes

Accounts payable

Accrued expenses

Customer deposits and advance billings

Other

Net cash provided by operating activities

Cash flows from investing activities:

Net repayments of receivables from Millington CATV, Inc.

Proceeds from the sale or maturity of investments

Proceeds from the sale of property, plant and equipment

Purchase of property, plant and equipment

Net cash provided by investing activities

Cash flows from financing activities:

Payments on long-term debt

Redemption of preferred stock

Net cash used in financing activities

Net increase in cash

Cash:

Beginning of year

End of year

Supplemental cash flow disclosures:

Interest paid

Income taxes refunded

See accompanying notes to consolidated financial statements.

\$

\$

\$

**MILLINGTON TELEPHONE COMPANY, INC.**

**Notes to Consolidated Financial Statements**

December 31, 2012

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Organization**

On December 11, 2012 Millington Telephone Company, Inc. (the Company) became a wholly owned subsidiary of E. Ritter Communications Holdings, Inc. (RCH or the Parent), which is a wholly owned subsidiary of E. Ritter & Company (ERC).

The Company provides local service, network access, long distance, and other communications products and services to businesses and individuals in portions of Fayette, Haywood, Shelby and Tipton counties in West Tennessee. As of December 31, 2012, the Company was providing local service to [REDACTED] access lines and residential high speed data service to [REDACTED] customers. In addition, approximately [REDACTED] of the Company's local service customers had selected the Company as their primary long distance carrier as of December 31, 2012.

**(b) General Disclosure of Regulatory Matters**

The Company's telephone operations are regulated in nature and its telephone accounting records are maintained in accordance with the rules and regulations of the Tennessee Regulatory Authority (TRA), which substantially adhere to the rules and regulations of the Federal Communications Commission. The Company's regulated operations are subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. The Company's regulated operations are subject to the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to regulatory accounting. Accordingly, the Company has not applied the acquisition method of accounting as described within ASC 805, *Business Combinations*, with respect to the acquisition by RCH described above.

**(c) Consolidation**

These statements present the consolidated financial information of the Company and its wholly owned subsidiary MTEL Long Distance, Inc. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

**(d) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results realized may differ from these estimates.

**MILLINGTON TELEPHONE COMPANY, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

**(e) Cash Equivalents**

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

**(f) Accounts Receivable**

Accounts receivable are stated at the historical carrying amounts net of write-offs and allowances for doubtful accounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables determined on the basis of historical experience, market conditions, current trends, and any specifically identified customer collection issues. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely. At December 31, 2012, the Company had an allowance recorded of [REDACTED]

**(g) Materials and Supplies**

Inventories are valued at the lower of cost (determined using average cost method) or market, except for copper wire and fiber optic cable inventories, which are valued at the lower of cost (determined using specific-identification method) or market.

**(h) Telephone Plant and Depreciation**

Telephone plant in-service is stated at original cost, including general overhead capitalized and an allowance for funds used during construction. For financial reporting purposes, the Company provides for depreciation using straight-line composite rates over the estimated useful lives of the assets. Telephone plant not subject to regulation is included in nonregulated investments.

When telephone plant is retired, the original cost, net of salvage, is charged against accumulated depreciation. The cost of maintenance and repairs of telephone plant, including the cost of replacing minor items not constituting substantial betterments, is charged to maintenance expense as incurred. When nonregulated property is retired, the cost of the property and the related accumulated depreciation are removed from the balance sheet, and any gain or loss on the transaction is recorded.

**(i) Long-Lived Assets**

The Company reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

**(j) Revenue Recognition – Network Access and Long-Distance Settlements**

Revenues are recognized when earned and are primarily derived from usage of the Company's local exchange networks and facilities. The Company accrues unbilled revenues earned from the date of the customers' last billing to the end of the accounting period. Certain toll and access service

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

## Notes to Consolidated Financial Statements

December 31, 2012

revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services.

The Company also participates in revenue pooling arrangements with other local service providers. Such pools were funded by local interexchange carriers and other providers of telecommunications services. Settlements with these revenue pooling arrangements are subject to retroactive adjustments from the pool members. The impacts of these adjustments are recorded in the period in which they are reported to the applicable pool administrator. During 2012, the Company recorded out-of-period pooling adjustments of [REDACTED] (increase to earnings) in network access revenue.

**(k) Broadband Stimulus Grant**

In October of 2010, the Company was awarded a Broadband Initiative Program loan and grant administered by the Rural Utilities Service (RUS) to extend its fiber optic network to certain rural areas in West Tennessee. The approved funding of the project is as follows:

RUS funded loan	\$ [REDACTED]
RUS grant	[REDACTED]
Total loan and grant	\$ [REDACTED]

The construction costs of the project are included in construction in progress. As portions of the project are completed, the Company applies for funding from RUS based on the approved plan in the loan and grant agreement. The grant money received for reimbursement of capital expenditures is accounted for as a deduction from the cost of the asset. The resulting balance sheet presentation reflects the [REDACTED] investment in the assets in property, plant and equipment. Depreciation is calculated and recorded based on the [REDACTED] investment.

As of December 31, 2012, the Company has incurred [REDACTED] of capital expenditures funded by this agreement of which [REDACTED] is recorded as an asset in property and as a liability in long-term debt (the Stimulus Loan). The balance of the capital expenditures incurred [REDACTED] have been reduced by the related RUS grant and are reflected in the Company's financial statements at a cost of zero. The interest rate on the stimulus loan is set based on the cost of borrowing by the United States Treasury and is calculated for each draw on the loan.

**(l) Environmental Remediation Liability**

The Company accrues for losses associated with environmental obligations when such losses are probable and can be reasonably estimated. The carrying amount of liabilities is regularly reviewed and adjusted for new facts.

**(m) Income Taxes**

Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The Company is included in the ERC consolidated federal and state tax

**MILLINGTON TELEPHONE COMPANY, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

returns beginning on the acquisition date. Income tax expense is calculated on a separate return computational basis.

The Company recognizes tax positions which are more likely than not to be sustained. The Company has determined that it does not have any material unrecognized tax benefits as of December 31, 2012.

**(n) Fair Value of Assets and Liabilities**

The Company has estimated the fair value of its financial instruments using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop certain estimates of fair value. Accordingly, certain estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and due from affiliates approximates fair value because of the short maturity of those instruments.

**(o) Defined Benefit Plan**

The funded status of the defined benefit pension plan (the Plan) is measured as the difference between the fair value of the Plan's assets and the projected benefit obligation (PBO) as of the consolidated balance sheet date. The unrecognized loss, prior service credit and transition asset existing at the time of adoption of the Financial Accounting Standards Board's (FASB) standard for pension accounting is included in accumulated other comprehensive loss.

**(p) Subsequent Events**

The Company has evaluated the effect subsequent events would have on the financial statements through May 29, 2013 which was the date the financial statements were available to be issued.

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

## Notes to Consolidated Financial Statements

December 31, 2012

**(2) Restatement**

Subsequent to the issuance of the December 31, 2011 financial statements, several errors were identified in the Company's prior period financial statements, which management has corrected by restating retained earnings and accumulated other comprehensive loss (AOCL) as of December 31, 2011. The items comprising the adjustments to January 1, 2012 opening retained earnings and AOCL are as follows:

## Misstatements within retained earnings:

Advanced billings liability understatement  
Carrier access billings receivable overstatement  
Accounts payable overstatement  
Materials and supplies overstatement  
Accrued expenses overstatement

\$

Overstatement of 2011 retained earnings before income tax benefit

Income tax benefit of above adjustments to 2011 retained earnings

Income tax corrections exclusive of the above

Reclassification to tax effect AOCL

Net decrease to retained earnings at December 31, 2011

\$

## Misstatements within AOCL:

Reclassification to tax effect AOCL  
Understatement of net pension liability

\$

Net decrease to AOCL at December 31, 2011

\$

Additionally, [REDACTED] of previously appropriated retained earnings have been reclassified to unappropriated retained earnings as the matter giving rise to the appropriated retained earnings was no longer relevant at December 31, 2011.

The primary reason that 2011 retained earnings were overstated is due to an error in recording advance billings related to local service and network access. In addition, inventories were overstated primarily due to lack of an appropriate valuation allowance to reflect their condition. Corrections were also made to the recorded deferred income tax assets and liabilities. Restatements of AOCL were also necessary due to AOCL having previously been reported without a tax effect and to increase the AOCL pension liability component which was understated.

It is not practical to determine the effect of these restatement adjustments on net income for the year ended December 31, 2011.

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**



## Notes to Consolidated Financial Statements

December 31, 2012

**(3) Telephone Plant**

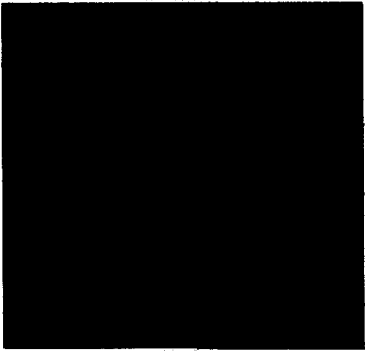
Telephone plant in-service at December 31, 2012 is summarized as follows:

	<u>Estimated useful lives</u>	
Land	Indefinite	
Support assets	33	
Central office switching	8	
Central office transmission	8	
Originating/terminating assets	8	
Cable and wire facilities	20 - 33	

Depreciation expense for telephone plant was  for 2012. Such provision, as a percentage of the average balance of telephone plant in service was . The Company periodically evaluates the depreciable lives of its property, plant and equipment and makes adjustments to its depreciation rates accordingly.

**(4) Nonregulated Investments, Net**

Nonregulated investments, net consist of the following:

	<u>Estimated useful lives</u>
Property and equipment:	
Land	
Buildings and leasehold improvements	
Internet and security systems equipment	
Other	
Accumulated depreciation	
Inventory	
Other nonregulated investments	

Property and equipment included in nonregulated investments in the accompanying balance sheet is stated at original cost. Depreciation on nonregulated investments is computed using the straight-line method for

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

## Notes to Consolidated Financial Statements

December 31, 2012

both financial reporting and income tax purposes over an estimated useful life of five years. Depreciation expense of the nonregulated property and equipment was [REDACTED]

During 2012 the Company fully impaired leasehold improvements with a carrying value of [REDACTED] presented within nonregulated investments, net as of December 31, 2011. These leasehold improvements relate to facilities expected to be vacated as a result of the acquisition of the Company by RCH in December 2012. As such facilities are used by Millington CATV, Inc. (MCATV), an affiliated entity also acquired by RCH in December 2012, the impairment charges, net of the future tax benefit to be realized by MTC, were charged to MCATV and are included in due from affiliates in the December 31, 2012 consolidated balance sheet.

Income from nonregulated investments is as follows:

Data revenues	\$ [REDACTED]
Data cost of sales	[REDACTED]
Net data revenue	[REDACTED]
Sales:	
Customer premises equipment revenue	[REDACTED]
Security systems	[REDACTED]
Other income	[REDACTED]
Total sales	[REDACTED]
Expenses:	
Cost of customer premises equipment	[REDACTED]
Cost of security systems	[REDACTED]
Other expenses	[REDACTED]
Total expenses	[REDACTED]
Pretax income from nonregulated investments	\$ [REDACTED]

**(5) Long-Term Debt**

Long-term debt at December 31, 2012 consists of [REDACTED] borrowed from the RUS under the Company's 2004 Loan Agreement among the Company, the United States of America, and the Rural Telephone Bank. In December 2012, all of the previous loans drawn under this loan agreement, except the Stimulus Loan, were repaid. The Loan Agreement is secured by all of the assets of the Company and contains loan covenants, including restrictions on dividends, reporting requirements, and certain operational requirements during the construction. The Company was in compliance with the loan covenants on December 31, 2012.

The RUS will have a retained security interest in the assets funded by the broadband stimulus grant over the economic life of the project (22 years). In the event of default of the terms of the agreement, the government could exercise the rights under the retained security interest to gain control and ownership of these assets.



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

# MILLINGTON TELEPHONE COMPANY, INC.

## Notes to Consolidated Financial Statements

December 31, 2012

### (6) Income Taxes

The provision (benefit) for income taxes attributable to the Company's regulated and nonregulated activities is as follows:

	<u>Regulated</u>	<u>Nonregulated</u>	<u>Total</u>
Current:			
Federal	\$		
State			
Deferred:			
Federal			
State			
	\$		

The differences between the federal taxes at the statutory rate and the Company's provision for income taxes are as follows:

Federal taxes at the statutory rate	\$
State income tax – net of federal benefit	
Non-deductible transaction costs	
Other	
	\$

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

## Notes to Consolidated Financial Statements

December 31, 2012

The tax effects of temporary differences that give rise to significant components of the Company's deferred income taxes at December 31, 2012 are as follows:

Current deferred tax assets:	
Allowance for doubtful accounts	\$
Inventories	
Compensated absences	
Other	
Net current deferred tax assets	\$
Noncurrent deferred tax assets (liabilities):	
Telephone plant	\$
Pension, net	
Accumulated other comprehensive loss	
Noncurrent deferred tax liabilities	\$

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2012. The amount of the deferred tax asset considered realizable; however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

**(7) Operating Leases**

The Company leases its retail phone store operations center from the estate of a former shareholder, such expenses totaled \$36,780 in 2012.

Rental expense under operating leases was [REDACTED] in 2012. Future minimum lease payments under these leases are as follows:

2013	\$
Thereafter	\$

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

## Notes to Consolidated Financial Statements

December 31, 2012

**(8) Employee Benefit Plans*****Defined Benefit Pension Plan***

The Company sponsors a noncontributory defined benefit pension plan covering substantially all its employees. Pension benefits are based on an employee's years of credited service and compensation during the last five years of employment. Plan assets consist primarily of interest-bearing cash, debt securities and equity securities. The Company's funding policy is to satisfy the funding requirements of the Employee Retirement Income and Security Act of 1974.

The following table presents a summary of plan assets, projected benefit obligation, funded status, and benefit activity of the Plan as of December 31, 2012:

Change in PBO:	
At beginning of year, as restated	\$
Service cost	
Interest cost	
Settlements	
Benefits paid	
Actuarial gain	
At end of year	\$
Change in plan assets:	
Fair value at beginning of year	\$
Actual return	
Employer contributions	
Benefits paid	
Fair value at end of year	\$
Funded status:	
Funded status at the end of the year	\$
Amounts not yet reflected in net periodic benefit cost and included in (AOCL):	
Prior service credit	\$
Accumulated loss	
AOCL	
Cumulative employer contributions less than net benefit cost	
Net amount recognized in consolidated balance sheet	\$
Amounts not yet reflected in net periodic benefit cost and expected to be amortized in next year's net periodic benefit cost:	
Prior service credit	\$
Accumulated loss	
	\$

REDACTED - FOR PUBLIC INSPECTION

# MILLINGTON TELEPHONE COMPANY, INC.

## Notes to Consolidated Financial Statements

December 31, 2012

### Components of net periodic benefit cost:

Service cost	\$
Interest cost	
Settlements, net	
Expected return on plan assets	
Amortization of prior service credit	
Amortization of accumulated net loss	
Net periodic benefit cost	\$

### Weighted average assumptions to determine benefit obligations:

Discount rate  
Rate of compensation increase  
Measurement date

### Weighted average assumptions to determine net cost:

Discount rate  
Expected long-term rate of return on plan assets during year  
Rate of compensation increase

### Accumulated benefit obligation

### Information for pension plans with PBO in excess of plan assets:

PBO  
Fair value of plan assets

### Expected cash flow for the Plan:

Expected return of assets to employer in next year  
Expected employer contributions for next year  
Expected benefit payments for year ending in:  
2013  
2014  
2015  
2016  
2017  
Next 5 years

The assumptions above are used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for the subsequent fiscal year. Therefore, the assumptions used to determine net periodic benefit cost for each year are established at the end of each previous year, while the assumptions used to determine benefit obligations are established at each year-end.

The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that are reviewed on an annual basis. These assumptions are revised based on an annual evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

## Notes to Consolidated Financial Statements

December 31, 2012

The expected rates of return on plan assets represent the Company's long-term assessment of return expectations, which may change based on shifts in economic and financial market conditions. The 2012 expected rates of return for these plans reflect the long-term outlook for a globally diversified portfolio, which is influenced by a combination of return expectations for individual asset classes, actual historical experience and the Company's diversified investment strategy. The historical returns are one of the inputs used to provide context for the development of expectations for future returns. Using this information, the Company develops ranges of returns for each asset class and a weighted average expected return for the target portfolio.

The Plan's asset allocations, including target allocations, and actual weighted averages, at December 31 are as follows:

	Target	2012	
		Dollar	Percentage
Certificates of deposit			
Debt securities			
Equity securities			
Alternative assets			

The Target allocation of assets was changed when MTC was acquired by RCH. The target will more closely match the target of ERC Plan (assets) beginning in 1Q 2013.

	Total	December 31, 2012		
		Level 1	Level 2	Level 3
Assets:				
Certificates of deposit	\$			
Debt securities				
Equity securities				
	\$			

The Administrative Committee of the Plan is responsible for the overall investment strategies of the Plan and selection of investment managers to manage the assets.

The investment strategies are of a long-term nature and are designed to meet the following objectives:

- ensure that funds are available to pay benefits as they become due;
- maximize the total return subject to prudent risk taking; and
- preserve and/or improve the funded status of the Plan over time.

# MILLINGTON TELEPHONE COMPANY, INC.

## Notes to Consolidated Financial Statements

December 31, 2012

Investment policies and strategies are periodically reviewed to ensure the objectives are met considering any changes in benefit plan design, market conditions and other material items.

Effective April 1, 2013, the Company froze its Plan and employees of MTC became participants in the Retirement Plan for Employees of E. Ritter & Company and Corporate Subsidiaries. Management has not yet evaluated the effect of this freeze on the 2013 consolidated financial statements.

### *401(k) Plan*

The Company sponsors an employee savings plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) covering substantially all full-time employees. Employees may elect to contribute a portion of their eligible pretax compensation up to certain limits as specified by the 401(k) Plan. The Company also makes matching contributions at a rate of [REDACTED] of the first [REDACTED] of an employee's deferral. Expense related to the 401(k) plan was [REDACTED] in 2012.

### *Post-retirement Benefits Other than Pensions*

Historically the Company has offered certain medical, dental and life insurance benefits to substantially all retired employees. A related post-retirement benefit expense was accrued annually as active employees earned those benefits and all benefits were paid as incurred. During 2012, the Company terminated all of these postretirement benefits and made payments of [REDACTED] to settle all future obligations related to post-retirement benefits. A gain on termination of the Plan of [REDACTED] is included in other income in the accompanying consolidated statement of operations.

### **(9) Related-Party Transactions**

The Company furnishes labor and benefits to Millington CATV, Inc. and is reimbursed for all incurred costs. The Company billed MCATV [REDACTED] under this arrangement during 2012, and also billed [REDACTED] in interest due on accounts receivable.

RCH provides certain administrative services to its affiliates and ERC and its subsidiaries provide major portions of accounting and administrative services to the Company. All of these services provided to the Company are primarily billed to the Company in the form of a management fee. Charges to the Company from affiliated entities are calculated based upon cost and a rate of return to provide such services as prescribed by the regulatory process. These charges began in December 2012 when RCH acquired the Company. Related income and expenses for 2012 are summarized as follows:

Operating expenses:	
Consulting fees – RCH	\$ [REDACTED]
Management fees – RCH	[REDACTED]
Total operating expenses	\$ [REDACTED]

REDACTED - FOR PUBLIC INSPECTION

**MILLINGTON TELEPHONE COMPANY, INC.**

Notes to Consolidated Financial Statements

December 31, 2012

Receivables (payables) arising from related-party transactions at December 31, 2012 are as follows:

RCH	\$	
MCATV	\$	

As a part of the former shareholders' sale of their MTC common stock to RCH in December 2012, the Company paid [REDACTED] of transaction expenses included in other expense in the accompanying consolidated statement of operations. These expenses are treated as nondeductible for income tax reporting purposes.

As part of the December 11, 2012 transaction, MTC received payment for the [REDACTED] receivable due from MCATV as of that date.

**(10) Commitments and Contingencies**

During 2012 the Company reviewed several areas of environmental compliance and identified areas that required remediation. A reserve for environmental remediation in the amount of [REDACTED] is included in accrued expenses in the accompanying consolidated balance sheet at December 31, 2012. Operating expenses include [REDACTED] related to the establishment of this reserve.

**(11) Concentrations**

No entity accounted for more than [REDACTED] of revenues during 2012.

The Company had receivables from the following entities representing more than [REDACTED] of total receivables at December 31:

National Exchange Carriers Association  
Universal Service Administrative Company  
Verizon Communications, Inc.

[REDACTED]

No other entity accounted for more than [REDACTED] of receivables at December 31, 2012.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION



KPMG LLP  
Suite 900  
50 North Front Street  
Memphis, TN 38103-1194

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Directors and Shareholder  
Millington Telephone Company, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Millington Telephone Company, Inc. and subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, comprehensive income, stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 29, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION



#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

May 29, 2013

REDACTED - FOR PUBLIC INSPECTION



870.358.1886 870.358.4150 10 Elm Street, Marked Tree, AR 72365

May 29, 2013

KPMG LLP  
50 N Front St #900  
Memphis, TN 38103-1109

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the consolidated balance sheet of Millington Telephone Company, Inc. and subsidiary (the Company) as of December 31, 2012, the related consolidated statements of income, comprehensive income, stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether these consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with U. S. generally accepted accounting principles.

We are also providing this letter in connection with your audit of the adjustments to restate retained earnings as of December 31, 2011 (Restatement Adjustments) related to the matters as described in Note 2 to the consolidated financial statements, to correct a misstatement for the purpose of expressing an opinion as to whether the Restatement Adjustments are appropriate and have been properly applied in conformity with U.S. generally accepted accounting principles. These financial statements were audited by Walls & Company. We understand that you have not been engaged to audit, review, or apply procedures to the 2011 consolidated financial statements of the Company other than with respect to the Restatement Adjustments and, accordingly, you will not express an opinion or any form of assurance on the 2011 financial statements taken as a whole. All of the applicable representations below also apply to your audit of the Restatement Adjustments.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit and your audit of the adjustments as described in Note 2:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2012 (and amended March 19, 2013), for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.

May 29, 2013

Page 2 of 7

2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the consolidated financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. All minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. Except as disclosed to you in writing, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no:
  - a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the consolidated financial statements or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*, except as disclosed in the consolidated financial statements or notes to the consolidated financial statements.
  - d. Material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements.
  - e. Events that have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the consolidated financial statements.
5. All known actual or possible litigation and claims have been accounted for and considered for disclosure in accordance with ASC 450, *Contingencies*.
6. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.
7. We acknowledge our responsibility for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the consolidated financial statements whether due to error or fraud.
8. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Company's ability to initiate,

Millington Telephone Company, Inc.

May 29, 2013

Page 3 of 7

authorize, record, process or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.

9. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.
10. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control over financial reporting, or
  - c. Others where the fraud could have a material effect on the consolidated financial statements.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers or others.
12. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. We have no knowledge of any officer of the Company, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audit.
14. The following have been properly recorded or disclosed in the consolidated financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with the requirements of U. S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Company is contingently liable, including guarantee contracts and indemnification agreements pursuant to FASB ASC 460, *Guarantees*.
  - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*. (Significant estimates are estimates at the balance sheet date, which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal finances within the next year.)
  - d. Significant common ownership or management control relationships requiring disclosure.
  - e. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.
  - g. Agreements to repurchase assets previously sold, including sales with recourse.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.  
May 29, 2013  
Page 4 of 7

- h. Changes in accounting principle affecting consistency.
  - i. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements.
- 15. The Company has complied with all aspects of laws, regulations, and contractual agreements that may affect the consolidated financial statements in the event of noncompliance.
- 16. The adjustments described in Note 2 are appropriate and have been properly applied in conformity with U. S. generally accepted accounting principles including any effects on subsequent periods.
- 17. There have been no:
  - a. Instances of fraud that could have a material effect on the adjustments.
  - b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the Company's adjustments that have not been disclosed to you in writing.
  - c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the Company's adjustments that have not been disclosed to you in writing.
  - d. False statements affecting the Company's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.
- 18. There are no material transactions that have not been properly recorded in the accounting records underlying the adjustments.
- 19. Receivables reported in the consolidated financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
- 20. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the consolidated financial statements:
  - a. Extent, nature, and terms of financial instruments with off-balance-sheet risk;
  - b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
- 21. The Company has accounted for asset retirement obligations in accordance with FASB ASC 410-20, *Asset Retirement and Environmental Obligations -- Asset Retirement Obligations*. All legal obligations, including those under the doctrine of promissory estoppel, associated with the retirement of tangible long-lived assets have been recognized. The Company recognized the obligations at fair value.

REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.

May 29, 2013

Page 5 of 7

22. The Company has appropriately grouped long-lived assets together for purposes of assessing impairment in accordance with FASB ASC 360, *Property, Plant and Equipment*. We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable. Provision has been made for any material adjustments to long-lived assets including amortizable intangible assets.
23. We are responsible for making the fair value measurements and disclosures included in the consolidated financial statements in accordance with FASB ASC 820, *Fair Value Measurement and Disclosures*, including determining the fair value of assets and liabilities for which there has been a significant decrease in the volume and level of activity in relation to the normal market activity for those assets or liabilities (or similar assets or liabilities) or for which transactions are deemed not orderly. As part of fulfilling this responsibility, we have established an accounting and financial reporting process for determining the fair value measurements and disclosures, in accordance with the fair value techniques included in FASB ASC 820, considered the appropriateness of valuation techniques, including circumstances in which a practical expedient may be used to estimate fair value, adequately supported any significant assumptions used, and ensured that the presentation and disclosure of the fair value measurements are in accordance with U. S. generally accepted accounting principles including the disclosure requirements of FASB ASC 820. We believe the assumptions and techniques used by us, including those used by specialists engaged by us, are in accordance with the definition of fair value in FASB ASC 820 and the disclosures adequately describe the level of the inputs used in the fair value measurement, in accordance with the fair value hierarchy in FASB ASC 820.
24. The Company is responsible for determining the fair value of financial instruments as required by FASB ASC 825, *Financial Instruments*. The amounts disclosed represent the Company's best estimate of fair value of financial instruments required to be disclosed under FASB ASC 825. The Company also has disclosed the methods and significant assumptions used to estimate the fair value of financial instruments and any changes to those methods and significant assumptions, if any, as required by FASB ASC 825.
25. We believe that all material expenditures that have been deferred to future periods will be recoverable.
26. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
27. Provision has been made for any material loss that is probable from environmental remediation liabilities. We believe that such estimates are reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately disclosed in the Company's consolidated financial statements.
28. Provision, when material, has been made for:
  - a. Losses to be sustained from inability to fulfill any sales commitments.
  - b. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.

May 29, 2013

Page 6 of 7

- c. Losses to be sustained as a result of the reduction of excess or obsolete inventories to their estimated net realizable value.
- 29. All sales transactions entered into by the Company are final and there are no side agreements with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by usual and customary warranties.
- 30. The Company has properly accounted for and disclosed those arrangements in which goods and services, or both, are to be delivered separately in a bundled sales arrangement in accordance with FASB ASC 605-25, *Revenue Recognition -- Multiple-Element Arrangements*, as amended by FASB ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (FASB ASU 2009-13).
- 31. The consolidated financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.
- 32. A valuation allowance against deferred tax assets at the balance-sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized.
- 33. The calculations of current and deferred tax expense (benefit) and the measurement of the related current and deferred tax assets and liabilities have been determined based on appropriate provisions of applicable enacted tax laws and regulations.
- 34. Uncertain tax positions have been accounted for in accordance with the provisions of FASB ASC 740, *Income Taxes*.
- 35. We have not received any advice or opinion that contradicts the Company's support for the tax accrual related matters, that contradicts the Company's financial statement amounts and presentations, or that is necessary to understand the Company's tax accrual and related matters.
- 36. We agree with the findings of specialists in evaluating the accounting for the Company's noncontributory defined benefit plans and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 37. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Company's current period consolidated financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the consolidated financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the consolidated financial statements in future periods.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.

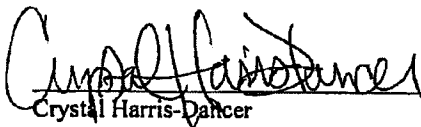
May 29, 2013

Page 7 of 7

Further, we confirm that we are responsible for the fair presentation in the consolidated financial statements of financial position, results of operations and cash flows in conformity with U. S. generally accepted accounting principles.

Very truly yours,

E. Ritter & Company



Crystal Harris-Dancer

*Director of Accounting*

*E. Ritter & Company*

*Millington Telephone Company, Inc.*

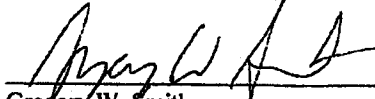


Clinton N. Orr

*Vice President, Planning and Analysis*

*E. Ritter Communications Holdings, Inc.*

*Millington Telephone Company, Inc.*

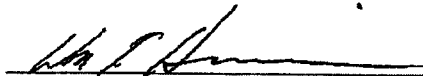


Gregory W. Smith

*Chief Financial and Business Intelligence Officer*

*E. Ritter Communications Holdings, Inc.*

*Millington Telephone Company, Inc.*



William F. Harrison

*Chief Financial Officer, E. Ritter & Company*

*Secretary/Treasurer, Millington Telephone Company, Inc.*



L. Alan Wright

*Vice President, Administration and Treasurer*

*E. Ritter & Company*



REDACTED - FOR PUBLIC INSPECTION



KPMG LLP  
Suite 900  
50 North Front Street  
Memphis, TN 38103-1194

May 1, 2013

Audit Committee  
E. Ritter & Company  
Marked Tree, Arkansas

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of E. Ritter & Company (the Company) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The identified significant deficiency described below is not considered to be material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION



Audit Committee  
E. Ritter & Company  
May 1, 2013  
Page 2 of 2

#### **Nonroutine Transactions**

The Company's existing control structure failed to prevent or detect a number of errors related to the presentation and disclosure of certain activities related to acquisitions and divestitures. We recommend that management reevaluate their control structure regarding the accounting, presentation and disclosure for nonrecurring transactions.

#### *Management Response*

Management agrees that our operating structure was not effective in developing the information needed to properly record and document the purchase accounting details of the Millington acquisition transaction on a timely and accurate basis. We underestimated the complexity of the task, under-resourced the implementation, and required more support from KPMG than should have been required. Our accounting systems and processes are focused on recording transactions and issuing internal financial statements. In 2013, we must develop additional capacity to manage our external financial reporting and to be prepared for future transactions as we grow the Company.

This communication is intended solely for the information and use of management, the audit committee of E. Ritter & Company, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. E. Ritter & Company's written response to the significant deficiency identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Very truly yours,

**KPMG LLP**

Memphis, Tennessee

REFERENCE WC DOCKET NOS. 10-90 AND 11-42

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Received & Inspected

OCT 22 2013

FCC Mail Room

# MILLINGTON TELEPHONE COMPANY, INC.

MILLINGTON, TENNESSEE

REPORT OF FINANCIAL EXAMINATION

YEARS ENDED DECEMBER 31, 2011 AND 2010

Walls & Company  
Certified Public Accountants  
Memphis, Tennessee

REFERENCE WC DOCKET NOS. 10-90 AND 11-42

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Received & Inspected  
Oct 22 2013  
FCC Mail Room

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	2-3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-21

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

**Walls & Company**

REDACTED - FOR PUBLIC INSPECTION

*Certified Public Accountants*

*1862 Poplar Crest Cove*

*Memphis, Tennessee 38119*

*Phone (901) 684-1043*

*Fax (901) 684-1044*

*Member*

*Tennessee Society*

*Certified Public Accountants*

*Member*

*American Institute*

*Certified Public Accountants*

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Millington Telephone Company, Inc.  
Millington, Tennessee

We have audited the accompanying consolidated balance sheets of Millington Telephone Company, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of Millington Telephone Company, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millington Telephone Company, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2012, on our consideration of Millington Telephone Company, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Walls & Company*

Walls & Company  
April 23, 2012

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.  
 Confidential - For Public Inspection  
 December 31, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	
Accounts receivable, net of reserve for doubtful accounts of [REDACTED] at December 31, 2011 and 2010, respectively		
Materials and supplies inventory		
Prepaid expenses		
Securities held for resale		
Other receivables		
Receivables - employees and affiliates		
Total current assets		
<b>NON-CURRENT ASSETS</b>		
Non-regulated investments:		
Advances to affiliate		
Miscellaneous physical inventories		
Miscellaneous physical properties, net of accumulated depreciation of [REDACTED] at December 31, 2011 and 2010, respectively		
Other non-regulated investments		
Total non-regulated investments		
Property, Plant and Equipment		
Telecommunications plant in service		
Telecommunications plant under construction		
Less accumulated depreciation		
Property, plant and equipment, net		
Total assets	\$	

The accompanying notes are an integral part of these financial statements.

## COMMISSION

Millington Telephone Company, Inc.

Consolidated Balance Sheets, Unaudited

December 31, 2011 and 2010

	2011	2010
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$	
Advance billings		
Customer deposits		
Accrued taxes		
Other accrued expenses		
Revolving line of credit		
Current portion of accrued postretirement benefits		
Current maturities of long-term debt		
Total current liabilities		
<b>LONG-TERM DEBT</b>		
Notes payable, less current portion		
RTB mortgage notes, less current portion		
RUS mortgage notes, less current portion		
Total long-term debt		
<b>OTHER LIABILITIES</b>		
Deferred income taxes		
Accrued postretirement benefits		
Accrued pension costs		
Total other liabilities		
Total liabilities		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock - [REDACTED]		
[REDACTED] shares issued and outstanding at December 31, 2011 and 2010, respectively		
Common stock - no par value, [REDACTED] shares authorized, [REDACTED] shares issued and outstanding		
Retained earnings - appropriated		
Retained earnings - unappropriated		
Accumulated other comprehensive income		
Total shareholders' equity		
Total liabilities and shareholders' equity	\$	

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

Millington Telephone Company, Inc.

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Basic local network service	\$	
Network access service		
Long distance network service		
Carrier billing revenue		
Miscellaneous revenue		
Total operating revenues		
Operating Expenses		
Plant specific operations		
Plant non-specific operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Other taxes		
Total operating expenses		
Operating income		
Other Income (Expense)		
Interest, dividend, and other income		
Interest expense		
Total other income (expense)		
Net income before extraordinary items, non-regulated income and income taxes		
Extraordinary Items		
Capital gain from sale of assets		
Total		
Non-regulated income		
Net income before taxes		
Income tax expense		
Net income	\$	

The accompanying notes are an integral part of these financial statements.



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2011 and 2010

**REDACTED FOR PUBLIC INSPECTION**

	Total	Comprehensive Income	Retained Earnings Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive Income	Common Stock	Preferred Stock
Balances, December 31, 2009							
Comprehensive Income (Loss)							
Net income for 2010							
Other comprehensive income							
Unrealized holding gain arising during the period, net of tax							
Net change in pension liabilities							
Other comprehensive income (loss)							
Total Comprehensive Income (Loss)							
Dividends							
Appropriations							
Interest on excess earnings							
Balances, December 31, 2010							
Comprehensive Income (Loss)							
Net income for 2011							
Other comprehensive income							
Unrealized holding gain arising during the period, net of tax							
Net change in pension liabilities							
Other comprehensive income (loss)							
Total Comprehensive Income (Loss)							
Dividends							
Appropriations							
Interest on excess earnings							
Balances, December 31, 2011							

The accompanying notes are an integral part of these financial statements.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,  
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS  
COMMISSION

Millington Telephone Company, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$	
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization		
Deferred income taxes		
Accrued postretirement benefits		
Accrued pension costs		
Unrealized gain on investments carried at fair value		
Other		
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		
Materials and supplies		
Prepaid expenses		
Other receivables		
Miscellaneous physical inventories <sup>1</sup>		
Increase (decrease) in:		
Accounts payable		
Advance billings		
Customer deposits		
Other accrued taxes and expenses		
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant		
Gain on sale of assets		
(Increase) decrease in:		
Advances to affiliates		
Receivable - employees and affiliates		
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid		
Net proceeds (payments) on short-term debt		
Payments on long-term debt		
Proceeds from long-term debt		
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents - January 1		
Cash and cash equivalents - December 31	\$	

The accompanying notes are an integral part of these financial statements.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.  
REDACTED FOR PUBLIC INSPECTION  
Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

## Note 1 - Summary of Significant Accounting Policies

### Nature of Operations

Millington Telephone Company, Inc. (the "Company", "MTC") provides telephone and internet service to Shelby, Fayette, Tipton and Haywood counties in Tennessee. The books and records are maintained in accordance with Federal Communication Commission Rules, Part 32, Uniform System of Accounts for Telecommunications Companies, which was added in 1986 to Title 47 of the Code of Federal Regulations. The accounting policies conform to generally accepted accounting principles.

### Consolidation

The consolidated financial statements include the accounts of Millington Telephone Company, Inc. and its wholly owned subsidiary MTEL Long Distance Company, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make a number of estimates and assumptions related to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management reviews its estimates, including those related to recoverability and useful lives of assets as well as liabilities for income taxes, deferred tax assets and liabilities, and post-retirement benefits. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those reported estimates.

### Cash and Cash Equivalents

Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less which are made as part of the Company's cash management activity. Management believes that the carrying values of these assets approximate their fair market value because of the short maturity of these financial instruments.

Millington Telephone Company, Inc.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies (continued)Accounts Receivable

Accounts receivable are recorded at invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the company's existing accounts receivable. The Company determines the allowance based on historical write-off experience and industry and local economic data. The Company reviews its allowance for doubtful accounts monthly. Past due balances meeting specific criteria are reviewed individually for collectability. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable are concentrated among customers within the Company's geographic service area. Changes in the allowance for doubtful accounts for trade accounts receivable for the years ended December 31, 2011 and 2010 are summarized below:

Allowance for doubtful accounts	2011	2010
Balance at beginning of year	\$	
Bad debt expense		
Losses charged to allowance		
Recoveries added to allowance		
Balance at end of year	\$	

Materials and Supplies

Materials and supplies inventories and non-regulated miscellaneous physical inventories are valued at the lower of cost or market. Cost is generally determined using the first-in, first-out (FIFO) method.

Marketable Securities

The Company's marketable securities are classified as available-for-sale. The classifications of debt and equity securities are determined by management at the date individual investments are acquired. The appropriateness of such classification is periodically reassessed. The Company monitors the fair value of all investments, and based on factors such as market conditions, financial information and industry conditions, the Company will reflect impairments in values as is warranted. Available-for-sale securities are carried at fair market value and any unrealized gains, net of deferred income taxes, are reported as a component of accumulated other comprehensive income in shareholders' equity until realized.

REDACTED FOR PUBLIC INSPECTION  
Millington Telephone Company, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are valued at historical cost, less accumulated depreciation. The Company capitalizes all costs associated with the purchase, deployment and installation of property, plant and equipment, including interest on major capital projects during the period of their construction. Expenditures which extend the useful life or increase its utility are capitalized. Maintenance expense is recognized when repairs are performed. Depreciation is recognized using the straight-line method over the estimated useful lives of the related assets for financial reporting purposes.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Upon the sale or retirement of telecommunications plant in service, no gain or loss is recognized by the Company. These assets are retired by removing the original cost from the property accounts and charging it against accumulated depreciation in accordance with FCC Rules, Part 32.

Fair Value

Financial instruments presented on the balance sheets that approximate fair value include: cash and cash equivalents, receivables, marketable securities, payables, accrued liabilities, and long-term debt.

Pension Plans

Annual net periodic pension costs under the Company's defined benefit pension plan are determined on an actuarial basis. The Company's policy is to fund the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only benefits attributed to service to date but also for those expected to be earned in the future. Benefits are determined based on years of service and the employee's compensation during the last five years of employment. Effective April 5, 2011, the plan was amended in order to change the benefit formula going forward.

Management funds the pension plan according to ERISA minimum funding requirements. The Company invests the funds of the pension plan in bank certificates of deposit and investment-grade corporate equity securities, bonds and bond funds. The pension plan issues separate financial statements.

Revenue Recognition, Advance Billings and Customer Deposits

Operating revenues are recognized when service is provided. Advance billings and customer deposits in the accompanying balance sheets represent the Company's liability for future service and security deposits. Amounts included in advance billings will be recognized as revenue when the service is rendered. Amounts included in customer deposits will be cleared from the account as refunds are made.

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

**REDACTED FOR PUBLIC INSPECTION**  
Millington Telephone Company, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management uses a more likely than not threshold to make their determination.

Valuation allowances are established, when necessary, to reduce deferred tax assets or liabilities to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Subsequent Events

Events occurring after the date of the Balance Sheets but before the issuance of the financial statements included in this report have been evaluated through date of report issuance.

Recently Issued Accounting Standards

As of December 31, 2011, there were no recently issued but not yet effective accounting pronouncements that would have an impact on the Company's financial statements.

Note 2 - Assets Pledged

Substantially all assets of the Company are pledged as security for the long-term debt to Rural Utility Service.

Note 3 - Prepaid Expenses

A summary of the amounts recorded as prepaid expenses at December 31, 2011 and 2010 follows:

	2011	2010
Prepaid insurance	\$	
Prepaid postage		
Prepaid taxes		
	\$	

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.  
 Notes to Consolidated Financial Statements  
 December 31, 2011 and 2010

#### Note 4 – Marketable Securities

At December 31, 2011 and 2010 aggregate cost, fair market value, and unrealized gains for marketable equity securities that were classified as available-for-sale are as follows:

	2011	2010
Current - securities held for resale	\$	
Aggregate fair values		
Aggregate cost		
Gross unrealized gains/(losses)		
Less: deferred taxes on gain/(loss)		
Net unrealized gain/(loss)	\$	

Fair values for these investments are determined by quoted market prices ("level 1 fair values") for the underlying equity securities.

#### Note 5 – Property, Plant and Equipment

Telephone plant in service and plant under construction are both stated at cost. Listed below are the major subclasses of the telephone plant as of December 31, 2011 and 2010:

	Estimated Useful Lives	2011	2010
Poles, cable, and wire			
Central Office equipment			
Microwave radio and subscriber carrier equipment			
Buildings			
Motor vehicles			
Land			
Furniture and office equipment			
Other work equipment			
Customer premise wiring			
Operator systems			
Total plant in service			
Telecommunications plant under construction			

The Company provides for depreciation on a straight-line basis at annual rates that correspond with the estimated useful life of the property. Such provisions, as a percentage of the average balance of telephone plant in service, were [REDACTED].

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

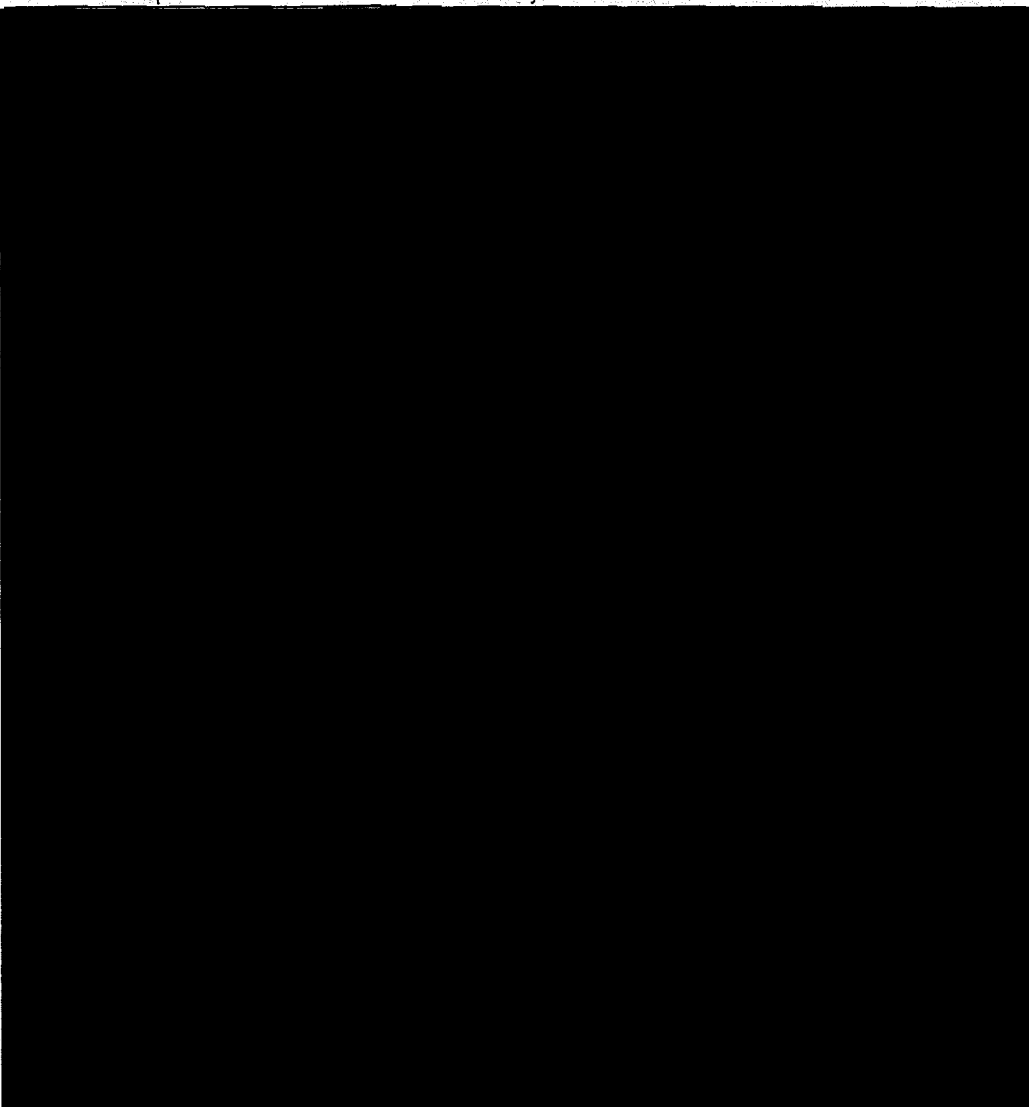
Note 6 – Short Term Note Payable

The Company has a [REDACTED] revolving line of credit facility with a local bank. The credit line bears interest at [REDACTED] and is collateralized by buildings and equipment as well as shareholder guarantees. The loan balance was [REDACTED] at December 31, 2010 and was [REDACTED] at December 31, 2011.

A second line of credit for [REDACTED] is unsecured, bears interest at [REDACTED] and matures April 2012. The loan balance on this line was [REDACTED] at December 31, 2011 and 2010.

Note 7 – Mortgage Notes

Long-term debt of the Company includes mortgage notes payable to agencies of the United States government or local banks. Following is a summary of the outstanding long-term debt:

Description	Date Issued	Date of Maturity	Interest Rate	General Call Price	
				December 31, 2011	2010
					



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.  
 Notes to Consolidated Financial Statements  
 December 31, 2011 and 2010

Note 7 – Mortgage Notes (continued)

At December 31, 2011 and 2010 unadvanced funds were as follows:

	2011	2010
RTB	\$	
RUS		
RTFC		
Unadvanced Funds	\$	

The maturities of the long-term debt for each of the five years succeeding the balance sheet date are estimated as follows:

2012	\$	
2013		
2014		
2015		
2016		

Note 8 – Income Taxes and Deferred Taxes

The provision for federal and state income taxes attributable to income from continuing operations consists of the following components:

	2011	2010
Current income tax expense:		
Federal	\$	
State		
Deferred income tax expense (benefit)		
Income tax on continuing operations	\$	

COMMISSION  
 Millington Telephone Company, Inc.  
 Noted as to Public Inspection  
 December 31, 2011 and 2010

Note 8 – Income Taxes and Deferred Taxes (continued)

A reconciliation of income taxes determined by applying the federal and state tax rates to income from continuing operations is as follows for the years ended December 31, 2011 and 2010:

	2011	2010
Computed "expected" tax expense (34%)	\$	
State income taxes		
Book over tax pension and postretirement		
Tax over book depreciation		
Other, net		
Income tax expense on continuing operations	\$	

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of both current and deferred taxes. Deferred income taxes reflect the net effect of temporary differences between the carrying amount of the Company's assets and liabilities for financial reporting and the amounts used for income tax purposes. The differences relate primarily to the use of different methods for recording depreciation for financial reporting and tax purposes, unrealized gains on marketable securities, operating loss carryforwards, and the accrual of pension plan and other postretirement benefit plan expenses over the amount allowed for tax purposes.

The deferred tax assets and liabilities represent future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Significant temporary differences and carryforwards which give rise to deferred tax assets and liabilities at December 31, 2011 and 2010 are as follows:

	2011	2010
Deferred tax assets:		
Accrued pension and postretirement	\$	
Unrealized losses on marketable securities		
Deferred tax liabilities:		
Depreciation and amortization		
Unrealized gains on marketable securities		
Net deferred income tax liability	\$	

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Note 9 – Related Party Transactions

Millington Telephone Company, Inc. furnishes labor and benefits to Millington CATV. The company is reimbursed for all costs incurred. For the years ended December 31, 2011 and 2010 the Company billed CATV [REDACTED] and [REDACTED] respectively, under the arrangement. The amount due from Millington CATV at December 31, 2011 and 2010 was [REDACTED] respectively. After one year the balance bears interest at a floating rate based on Internal Revenue Service federal funds rate. Stockholders of Millington Telephone Company, Inc. own Millington CATV, Inc. The RUS is aware of this advance to affiliates and has required that interest be charged, but no written authorization from RUS has been obtained.

In 2011, the Company leased clerical labor to the estate of the previous owner. The total 2011 billing of [REDACTED] is in Receivables – employees and affiliates at December 31, 2011.

In 2010, the Company leased labor from a construction company owned by a minority shareholder, W.S. Howard, Jr. The total cost of leased labor was [REDACTED] for the year ended December 31, 2010.

Note 10 - Leases

The Company leased its retail phone store operations center for [REDACTED] in 2011 and 2010 from the estate of its prior president, W.S. Howard, Sr.. The Company also leases pole lines primarily from other public utilities in joint use agreements providing for annual lease payments.

Lease expense included in the accompanying statements of operations is as follows:

	2011	2010
Plant specific operations:		
Pole line rental	\$ [REDACTED]	[REDACTED]
Non-regulated activity:		
Store rental	\$ [REDACTED]	[REDACTED]

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS

## COMMISSION

Millington Telephone Company, Inc.

Not REDACTED FOR PUBLIC INSPECTION

December 31, 2011 and 2010

Note 11 – Pension Plans

The Company has a defined benefit pension plan covering substantially all employees. The benefits are based on years of service and the employee's compensation during the last five years of employment.

The following table provides a reconciliation of the changes in the pension plan's accrued costs, projected benefit obligation, fair value of plan assets, and funded status over the two-year period ending December 31, 2011.

	2011	2010
<b>Change in Accrued Benefit Cost:</b>		
Accrued benefit cost at beg. of year	\$	
Net periodic benefit cost		
Settlement		
Employer contributions paid during year		
Accrued benefit cost at end of year		
<b>Change in Projected Benefit Obligation:</b>		
Projected benefit obligation at January 1	\$	
Service cost		
Interest cost		
Settlements		
Amendments		
Actuarial loss/(gain)		
Benefits paid		
Projected Benefit obligation, December 31		
<b>Change in Plan Assets:</b>		
Fair value of plan assets at January 1		
Actual return on plan assets		
Employer contribution		
Benefits paid		
Fair Value, December 31		
<b>Reconciliation of Funded Status:</b>		
Accumulated Benefit Obligation (ABO)		
Projected Benefit Obligation (PBO)		
Fair Value of Plan Assets		
Funded status, December 31		
<b>Items not yet recognized as a component of net periodic pension cost:</b>		
Unrecognized net actuarial (gain)/loss		
Unrecognized prior service cost		
Unrecognized transition (asset)/liability		
Net amount unrecognized	\$	

**REDACTED - FOR PUBLIC INSPECTION**  
Millington Telephone Company, Inc.

Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

Note 11 - Pension Plans (continued)

Amounts recognized in the consolidated balance sheets consist of:

	2011	2010
Noncurrent liability: Accrued pension costs	\$	
Accumulated other comprehensive income		
Net pension expense recognized	\$	

Amounts included in accumulated other comprehensive  
income expected to be recognized during the next fiscal year:

Net actuarial (gain)/loss	
Prior service cost	
Transition obligation/(asset)	

Components of net periodic benefit cost for the last two years are as follows:

	2011	2010
Service cost	\$	
Interest cost		
Expected return on plan assets		
Amortization of transition asset		
Recognized net actuarial (gain)/loss		
Amortization of prior service cost		
Net periodic pension cost	\$	
Assumptions used in the measurement of the pension benefit obligation:		
Weighted average assumptions:		
Discount rate		
Expected return on plan assets		
Rate of compensation increase		

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Millington Telephone Company, Inc.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

Note 11 - Pension Plans (continued)

Management's desire is to invest in pension plan assets that represent the utmost in security of principal. The approximate allocation of the pension plan assets were as follows at December 31, 2011 and 2010:

	2011	2010
Interest-bearing cash		
U.S. Government Securities		
Corporate Debt Instruments		
Corporate Stocks		
Municipal Bonds		

Expected benefit payments to plan participants (2012 - 2021) and employer contributions (2012 only) for the calendar years ending December 31 are as follows:

	Benefit Payments	Employer Contributions
2012		
2013		
2014		
2015		
2016		
2017-2021		

The following summarizes the principal actuarial assumptions made in calculations for Financial Accounting Standard 158 (FAS 158) results:

	Measurement Date	
	12/31/2011	12/31/2010
Asset Valuation:		
Assets were valued at:		
The asset value is based on assets as of		
Long-term rate of return		
Liability Valuation:		
Based on census of		
Mortality		
Turnover		
Assumed retirement age		
Discount rate - pre-retirement		
- post-retirement		
Salary scale		

\* Mortality based on 2010 Funding Target - Combined IRC 430(h)(3)(A)

**REDACTED FOR PUBLIC INSPECTION**  
Millington Telephone Company, Inc.Notes to Consolidated Financial Statements  
December 31, 2011 and 2010Note 12 – Postretirement Benefits Other Than Pensions

Historically, the Company has offered certain medical, dental, and life insurance benefits to substantially all retired employees. The related postretirement benefit expense has been accrued annually as active employees earn those benefits and all benefits have been paid as incurred. The Company recorded expense in the amount of [REDACTED] and [REDACTED] for the years ended December 31, 2011 and 2010, respectively.

Based on the results of an actuarial study for 2011, the postretirement benefits were amended to provide benefits for the next ten years only. The accrued liability on the Company's consolidated balance sheets was adjusted to match the projected benefit obligation.

No separately funded plan is maintained for this postretirement benefit. The following table provides a reconciliation of the changes in the projected benefit obligation, fair value of plan assets, funded status and accumulated benefit obligation for the year ended December 31, 2011.

	2011
<b>Change in Projected Benefit Obligation:</b>	
Accrued benefit cost at beg. of year	
Service cost	
Interest cost	
Amendments	
Actuarial loss/(gain)	
Benefits paid	
Projected Benefit obligation at end of year	
<b>Change in Plan Assets:</b>	
Fair value of plan assets at January 1	
Actual return on plan assets	
Employer contribution	
Benefits paid	
Fair Value, December 31	
<b>Funded Status at Year End</b>	
<b>Accumulated Benefit Obligation</b>	

Amounts recognized in the consolidated balance sheets consist of:

	2011	2010
Current liability: Accrued postretirement benefits	\$	
Noncurrent liability: Accrued postretirement benefits		
	\$	

CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

## REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

Note 12 – Postretirement Benefits Other Than Pensions (continued)

Components of net periodic benefit costs are as follows:

	2011	2010
Service cost	\$	
Interest cost		
Expected return on plan assets		
Amortization of transition asset		
Adjustment		
Net periodic pension cost	\$	

Assumptions used in the measurement  
of the pension benefit obligation:

Weighted average assumptions:  
Discount rate: Net periodic pension costs  
Discount rate: Benefit obligations  
Expected return on plan assets

Expected benefit payments to plan participants (2012 – 2021) for the calendar years ending December 31 are as follows:

	Benefit Payments
2012	
2013	
2014	
2015	
2016	
2017-2021	

Note 13 – Savings Plan

The Company matches employee contributions to the savings plan up to [REDACTED] of their compensation. Plan assets, consisting of bank balances and mutual fund investments, totaled \$ [REDACTED] at December 31, 2011 and 2010, respectively. The savings plan issues separate audited financial statements. The plan assets are not included in the accompanying balance sheet.

The Company's expense for the plan was [REDACTED]



CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED - FOR PUBLIC INSPECTION

Millington Telephone Company, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

Note 14 – Contingency

In 1994 the Company had [REDACTED] earnings in excess of the amount allowed by the Public Service Commission. This excess income was set aside as an appropriation of retained earnings and the Company adds to the appropriation annually to accrue interest at their effective interest rate which was 1.7% at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010 the balance of appropriated retained earnings was [REDACTED] and [REDACTED] respectively.

Note 15 – Concentrations of Risk

Financial instruments, which potentially subject the Company to concentrations of risk, consist of cash in bank. The Company maintains an operating cash account at one commercial bank. In both 2011 and 2010, balances in this account sometimes exceeded federally insured limits.